

2013-2014 Electric Rates

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Supersedes			
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Council Action Required?	Y	If YES, within the next 3 months?	Y
Public Hearing Required?	Y		
Presenters (if applicable)	Jorge Carrasco, Jeff Bishop, Paula Laschober		

Summary Statement

This ordinance reduces the 2013-2014 forecast of City Light's Net Wholesale Revenue to the amounts assumed in the Strategic Plan adopted by the Council in July 2012.

Background

The City established the City Light Rate Stabilization Account (RSA) within the Light Fund in part to buffer the City Light Department and its rate payers from shortfalls in the amount of Net Wholesale Revenue actually earned relative to that specified in its budgets and assumed in its electricity rates. In March of 2010, Council adopted Ordinance 123260 which provided a funding mechanism for the RSA and established rules for its operation, including a formula for computing the target level of Net Wholesale Revenue for the purpose of developing budgets and retail electricity rates, and for determining deposits to, and withdrawals from, the RSA. That formula said that Net Wholesale Revenue for any given forecast year was to be the average of such revenue realized over all years beginning in 2002 through the most recent year of complete data. The formula would produce a forecast of \$104 million for 2013 and \$101 million for 2014.

The City Light Strategic Plan, adopted earlier this year by Resolution 31383, included more conservative targets for Net Wholesale Revenue for the years 2013 to 2018 that reflect trends observed in energy markets and which are lower than the historical average as determined by Ordinance 123260. This legislation adopts specific Net Wholesale Revenue targets of \$90 million for 2013 and \$85 million for 2014. These targets will reduce the likelihood of RSA surcharges in 2013 and 2014, and are consistent with the Strategic Plan and the accompanying legislation to adopt 2013 and 2014 retail electricity rates.

Key Issues

An assumption of lower net wholesale revenues means more of City Light's revenues need to be recovered from retail ratepayers, which means rates need to increase. However, reducing City Light's reliance on the volatile revenues from wholesale sales also means that customers will have more predictable rates because they will have fewer RSA surcharges. During the public outreach for the Strategic Plan, City Light ratepayers stated that predictability was very important to them.

Next Steps

Council EEC public hearings Aug. 14 and Sept. 11
Full Council vote Sept. 17